

EXHIBIT 7

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February 7, 2006

Howard Weir, Esquire
Morgan, Lewis & Bockius, LLP
1111 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

**Re: Blackwater Security Consulting, LLC, et al. v. Westchester Surplus Lines
Insurance Company (WSLIC), et al.
Our File No. 500.22215**

Dear Howard:

This will serve as a follow-up to our recent telephone conversation wherein we discussed the above-captioned matter. As I advised, WSLIC is disturbed that Blackwater has included a claim of "bad faith" in the declaratory judgment action filed in the United States District Court for the Eastern District of Pennsylvania. This is particularly true in light of the fact that WSLIC has agreed to defend Blackwater, et al. under a Reservation of Rights in connection with the Nordan lawsuit. In response, you stated that Blackwater had not been paid for defense costs incurred in the defense of the Nordan lawsuit. Without committing your client, you intimated that if the issue of payment of defense costs were resolved the "bad faith" claims would probably be dismissed.

In a subsequent conversation with counsel for CNA, I learned that CNA has paid approximately \$125,000 in defense costs in connection with the Nordan lawsuit. Based on our conversation, it appears that total defense costs far exceed this amount. However, in my review of the WSLIC file materials I could find no reference to defense costs other than a summary of

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defense costs as of May 16, 2005, identifying defense costs attributable to the retention of eight separate law firms.

While reserving all rights and waiving none, in order for WSLIC to consider payment of reasonable defense costs in connection with the Nordan lawsuit, I will need the following:

- (1) complete copies of all invoices for defense costs incurred to date by each and every law firm;
- (2) the services provided by the law firm and the reason why the law firm was retained in connection with the Nordan lawsuit; and
- (3) any agreements and/or letters of retention entered into between the various law firms and Blackwater, et al.

As WSLIC has advised Blackwater in the past, WSLIC will defend Blackwater pursuant to a complete Reservation of Rights and agree to pay "reasonable" defense costs in connection therewith. However, before WSLIC will consider reimbursing Blackwater for defense costs incurred in the Nordan lawsuit, WSLIC must be provided the information requested above. If you foresee any problems in complying with these requests, kindly advise upon receipt of this correspondence.

On behalf of WSLIC, please be advised that this request is made pursuant to the Reservation of Rights previously forwarded to Blackwater. In making this request, WSLIC reserves all rights under the WSLIC policy and applicable law while waiving none, including but not limited to the right to further reserve rights and/or disclaim and/or seek reimbursement of defense costs paid in the event of a final determination by a Court of competent jurisdiction that no coverage exists under the WSLIC policy for the claims against Blackwater, et al. in the Nordan lawsuit.

Very truly yours,

DEASEY, MAHONEY & BENDER, LTD.

BY:


FRANCIS J. DEASEY, ESQUIRE

FJD/mr